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C O N F I D E N T I A L SECTION 01 OF 04 BAGHDAD 002381

SIPDIS

DEPT PASS TO DEPARTMENT OF AGRICULTURE

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TAGS: [EAGR](#) [ECON](#) [EFIN](#) [ENRG](#) [EPET](#) [IZ](#) [MASS](#) [MOPS](#) [PGOV](#) [PREL](#)

SUBJECT: IRAQ - INFRASTRUCTURE SECURITY UPDATE

REF: A. BAGHDAD 2181

[B](#). BAGHDAD 2294

[C](#). BAGHDAD2298

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FOR REASONS 1.4 B AND D.

[1](#)1. (C) SUMMARY: During the fifth meeting of the National Energy Committee (NEC), DPM Chalabi discussed his recent visit to the Al-Fatah crossing, expressing dissatisfaction with its current security. He instructed the Ministry of Defense to immediately develop an effective security plan for the northern pipelines. Chalabi also chided the ministers for poor intelligence, saying gathering intelligence should be an Iraqi led initiative. The Ministers of Defense (MOD) and Finance (MOF) debated the level of funds disbursed this fiscal year, with the MOF arguing that MOD had already received almost its entire allotment. The NEC discussed alternative export routes for oil and decided to review a pipeline option through Iran. Newly negotiated water flows from Turkey, concerns for getting the water through Syria, and the competing needs of the agricultural and electricity sectors for that water were also discussed. END SUMMARY.

[1](#)2. (C) DPM Ahmed Chalabi convened the fifth meeting of the ITG National Energy Committee on May 31. The Ministers of Oil (MOO), Electricity (ME), Water Resources (MWR), Finance (MOF), Agriculture (MOA), Industry and Minerals (MIM) were present as well as the Secretary General of the Ministry of Defense (SGMOD), MOD Director General of Programs and Budget, and the Commander of the Iraqi Army. IRMO Acting Director MG Heine, IRMO MOD Advisor, and ECONOFF also attended. The Ministers of Interior (MOI) and Defense (MOD) did not attend. Chalabi opened with a discussion of his visit to Kirkuk and Al Fatah on May 27 and his observations of pipeline security.

AL FATAH CROSSING AND STATUS OF INFRASTRUCTURE PROTECTION

[1](#)3. (C) The DPM and MOO visited Kirkuk and Al Fatah to observe the Iraqi forces deployed to guard the Kirkuk to Bayji pipeline. The DPM said he was dissatisfied with their level of competence, citing continued successful attacks on the pipeline. The DPM used Al Fatah crossing as the prime example where security required improvement. He said Al Fatah was the most critical point in the North for oil exports and stated that the lack of security and poor coordination of security forces at Al Fatah had permitted the destruction of the pipeline at that critical location. "We need to solve this protection issue because this stops exports which earn funds for Iraq, and it stops the flow of oil to the Bayji refinery, which causes more shortages of fuels here in Iraq" said the DPM

[1](#)4. (C) The Minister of Oil concurred, saying the Strategic Infrastructure Battalions (SIBS)(NOTE: SIBS is the new term for the Oil Security Battalions (OSBs), because they will be used to protect more than just the oil infrastructure. END NOTE)) were ineffective. MOO said he was willing to cooperate with MOD, but security must be done effectively. He said "Why should I fund SIBS if I do not get protection for my pipelines, especially this critical segment at Al Fatah?" MOO said he could produce 600,000 barrels of oil per day (bpd) in the North, but it does no good if the oil cannot be transported through the pipelines.

DEVELOPMENT OF PLAN TO PROTECT THE PIPELINES

[1](#)5. (C) The DPM asked the Commander of the Army if he had assigned an officer to be responsible for infrastructure security. The SGMOD responded that an officer had been assigned and stated there was also a plan being formed for protection of the pipelines, but the MOD could not fund these forces because they would cost \$600 million, and it would take time to build and train these units, probably six months. SGMOD continued by stating this was an internal security mission, which should belong to the Ministry of the Interior (MOI), not the MOD. The MOD needed the funds to buy the equipment, training and salaries for these units. The Commander of the Army told the DPM that the SIBS were just hired tribesmen in uniform and were not properly equipped or

trained. He needed help from Coalition forces for the training and oversight of these battalions.

16. (C) DPM and MOO asked the SGMOD and the Army to provide a plan for the protection of the pipelines, stain their priority were the pipelines between Kirkuk and Bayji, including the Al Fatah Crossing. The DPM stated that the Army must use the forces they currently had in uniform, and they could not wait six months. The DPM instructed the SGMOD and the Commander of the Army to meet with Multi-National Forces) Iraq (MNF-I) and come up with a joint plan for protection of key oil infrastructure no later than Monday, June 6. The MWR and ME requested their critical infrastructure be included in this planning process with MNF-I. DPM told the Army Commander that he should plan on providing Iraqi battalions to MNF-I for this mission.

17. (C) The DPM also requested that MNF-I be asked to come to the MOD to help with the planning. Several Ministers echoed the comments that "If we cannot control one pipeline, we cannot control the country". Additional Ministers added concerns for pipeline security in the South, as well as near Fallujah and Baghdad. The DPM asked the Ministries with concerns for infrastructure protection to work closely with the MOD and the Army to identify the key facilities requiring protection. The DPM told the assembled Ministers "the Americans will give us support", but "There is no magic wand, we need infantry and intelligence to secure our pipelines."

NEED FOR BETTER INTELLIGENCE

18. (C) DPM Chalabi said the insurgents were winning the intelligence war. He said it was an Iraqi responsibility to provide intelligence to the American forces. This intelligence is key to infrastructure protection.

FUNDING DISPUTE BETWEEN MOD AND MOF

19. (C) The MOF said that each SIB required \$40 million to form, train, and equip, while the current cost of repairing the pipelines was \$250 million. The MOO added that lost revenues from exports represented an even greater cost. The MOD DG of Programs and Budget suggested Iraq use technology rather than soldiers to protect the pipelines, advocating for aircraft patrols along the pipelines instead of troop deployments, as she thought it would be less expensive. The Minister of Finance added that he thought the government should put pressure on the tribal leaders who were being paid \$100 million to protect these pipelines. The MOF said the Iraqi Army had received \$4.2 billion to support military operations. The SGMOD said they had been told the military was to get \$4.5 billion, but nothing had yet been received. MOF said he had receipts proving the military had received \$4.2 billion this year from the Iraqi budget. MOF and MOD continued to stick to their disputed positions of funds disbursed but supposedly not received. DPM requested MOF and MOD meet separately to assess their differences in funding.

110. (C) DPM Chalabi said the military had received substantial funding, and now the government needs a payment back from the military in the form of protection of the pipelines. The military must use its battalions to give protection to oil pipelines. He stated, "The money spent on MOD has not paid off." DPM Chalabi asked the MOF to provide to all of the Ministers a full accounting of the funds for all Ministries, so there would be transparency in government. Several of the Ministers, most aggressively the MIM, suggested it was more important to fund the military force protection of the pipelines than to have a balanced budget, because without protection, no money could be generated from oil exports. DPM closed this discussion with the comment: "The problem of infrastructure protection is critical, and we need to solve it."

OPTIONS FOR NORTHERN EXPORTING OIL

111. (C) DPM Chalabi and the MOO suggested options for the export of Northern oil from Iraq. They concluded that exporting through Turkey would be preferred, but if it could not be accomplished due to security problems, then Iraqi oil could potentially be exported via Saudi Arabia, Basrah, or Iran. The discussion on the possibility of using Saudi pipelines was dismissed due to security problems in the southwest of Iraq. The possibility of expanding exports in Basrah was dismissed because of inadequate pipeline access from the North, lack of storage facilities in Basrah, and port infrastructure problems. The final option of exporting oil from Kirkuk through Iran was discussed in terms of the security and pipeline construction requirements. The DPM said during the Iran-Iraq War, Iraq had built a very long pipeline in only nine months, and thus a route through Iran

was possible as an alternative export route. MOO concurred with the DPM, and he requested additional consideration by the Ministers of a northern oil export pipeline route through Iran.

INCREASED ELECTRICITY FROM ADDED WATER FLOWS FROM TURKEY

112. (C) The Minister of Water Resources (MWR) reported he had talked to the Turkish Ambassador, and that Turkey would release an additional water flow of 200 cubic meters of water per second for Iraq. This would increase the electrical power generation at Iraqi hydropower facilities. MWR had not yet discussed this deal with Syria. Syria had also requested increased water releases from Turkey, but the amount requested is unknown to MWR. The downstream compact for Syria and Iraq is normally a 58/42 (Iraq/Syria) split of water flow. The Turkish Ambassador told the MWR that Iraq needed to inform Syria of this new water flow agreement, and that this discussion needed to be between Iraq and Syria. The ME emphasized to MWR how important this water was to Iraq, and requested the MWR talk to his counterpart in Syria immediately. This additional water would provide an additional 750 MW of power in Iraq. The total goal for hydropower production is 1500 MW, as set by the DPM.

113. (C) The Minister of Agriculture (MOA) said water was needed for agriculture and the diversion for electricity would ruin this year's crops if it were all diverted. MOA stated agriculture required 350 cubic meters of water per second for agricultural irrigation. The ME said he had a proposed reduced rate of electricity production for the summer because of the concerns over food production losses due to diversion from agriculture. The ME recommendation to the Ministers for revised hydropower production is: 1075 MW in June, 1250 MW in July, 1112 MW in August, 794 MW in September, and 609 MW in October.

FUEL FOR ELECTRICITY PRODUCTION

114. (C) The Minister of Electricity (ME) said he was still short \$50 million for purchasing fuel for the summer electricity program. The MOO told the Ministers he had signed contracts for importing the fuel (gas-oil) for the summer electrical generation program and had paid an initial payment of \$15 million, but the contracts had been initiated to support fuel imports.

AGENDA FOR NEXT MEETING OF NATIONAL ENERGY COMMITTEE

115. (C) The DPM said the next meeting of the NEC would discuss the smuggling of oil from the ports along the Shatt al Arab. The DPM said, in his opinion, "oil was being stolen" and the NEC needed to assess Iraqi ports and oil export procedures to prevent smuggling.

COMMENT

116. (C) COMMENT: DPM Chalabi appears to continue to show firm leadership of the NEC. The consensus of the Ministers to support the protection of the oil infrastructure demonstrates the criticality oil revenues to the government of Iraq. The NEC meeting highlighted the continuing tension between MOF and MOD over funding issues. The Ministers differed on how to support the Iraqi military and were concerned their investments in the security forces were not being paid back with adequate security improvements across Iraq. This meeting showed a higher level of concern than previous NEC meetings on the shortcomings in oil infrastructure security and the resulting lack of oil export income for Iraq.

117. (C) Water resources could be of increasing contention between several actors. The increased flow of water negotiated with Turkey by Iraq would lead to more electricity in Iraq, if it gets through Syria. The Ministers appeared to have a real concern that this could be an item of dispute between Syria and Iraq in the near future. The allocation of water for electricity versus agriculture is another internal question for Iraq, which has not been fully discussed. This could lead to the real issue of food versus electricity in Iraq. END COMMENT.

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